

Menlo Crossing: A Sustainable Community for Families and Seniors

Andrew Wofford, Ruchi Bindal, Cecilia Egidi, Chiara Noppenberger

James R. Boyce Affordable Housing Studio

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Interior staircase of Treehouse North, a large family affordable housing development.

I. Background:

Menlo Park faces significant housing affordability challenges. Over the last ten years, median contract rent in the city has risen faster than that of the surrounding county and the San Francisco Bay Area as a whole. As of 2020, nearly 45% of renter households in Menlo Park were cost-burdened—spending more than 30% of their income on housing costs.¹ The path to homeownership, on the other hand, is far out of reach for almost all residents—the median home value in the city has climbed past \$2 million.²

The unsustainable cost of housing has forced many renting families to leave Menlo Park. Others are deeply concerned that they will not be able to stay as their families grow. “We are relatively new to Menlo Park, having lived here for just under a year,” wrote Hannah and Connor Gilbert in their comment letter on the draft housing element. “We and our three children love where we live, and we know we’re very lucky to be able to afford to rent here, especially with young children. Still, we find ourselves constantly wondering: How long are we going to stay here? So many of our friends—families with young children—have already left because housing is simply so unaffordable. Is it only a matter of time before we leave, too?”³ The Gilberts are just one of many families in Menlo Park navigating this same uncertainty.

Meanwhile, families are not the only population struggling with these rising costs. “As a renter and a senior, I need to voice my support for housing options at all income levels and needs, including those who want to age in place,” wrote Menlo Park resident Katherine Dumont in her comment letter. “With renters making up 42% of Menlo Park residents, we need protections in place that prevent displacement. Renters move because they have to, not because they want to!”⁴

Menlo Park’s core challenge is no different than many other high-opportunity, Bay Area communities: the city simply does not have enough affordable housing for all of the residents who need it. In this sense, the eight-city owned parking lots in downtown Menlo Park represent a tremendous opportunity for the city, San Mateo County and the South Bay region to respond directly to the affordability crisis that is afflicting community members.

Our vision—Menlo Crossing—is an affordable, diverse and multi-generational development where growing families can make Menlo Park their long-term home and senior citizens can age in a safe, walkable and inter-connected community.

II. About ARCC:

¹ American Community Survey, 2020 5-Year Estimates, Table: B25070, Universe: Total Renter-Occupied Households

²United States Census Bureau, ‘Quick Facts: Menlo Park, CA.’
<https://www.census.gov/quickfacts/menloparkcitycalifornia>

³ Menlo Park Housing Element, January 31, 2023, p. 87 <https://menlopark.gov/files/sharedassets/public/community-development/documents/projects/housing-element-update/city-of-menlo-park-2023-2031-housing-element.pdf>

⁴ Menlo Park Housing Element, p.88

ARCC Housing is a mid-sized, non-profit affordable developer with expertise in building multi-family rental housing on the Peninsula. We collaborate closely with our partners—city officials, resident stakeholders, service providers and contractors—to build diverse, sustainable, transit-oriented neighborhoods where communities thrive. ARCC Housing has decades of experience building transit-oriented, affordable housing in downtown neighborhoods. We are excited to work with Menlo Park in its efforts to revitalize its downtown and create the largest affordable housing development in the city’s history.



III. Site Analysis and Political Context:

The site consists of eight, city-owned parking lots downtown. All eight lots are currently used as free parking, largely serving the retail businesses surrounding the lots, as well as the restaurants and shops on Santa Cruz Avenue. In total, the lots currently hold 1,207 parking spaces.

The site is a hub of amenities, located within 0.1 miles of two grocery stores, 0.2 miles from the Menlo Park CalTrains stop (with service to San Francisco and San Jose) and less than 0.5 miles from a number of medical, educational and public services (see Table 2, below).

Table 1: CDLAC Amenity Scoring Assessment (see Appendix for full scoring assessment)

Amenity	Distance	Points
Transit	0.2 miles (CalTrains).	7
Public Park	0.2 miles (Camp Fremont Park) or 0.4 miles (Nealon Park).	3
Library	0.4 miles (Menlo Park Library).	3
Grocery Store	0.1 miles (Trader Joe's) or 0.1 miles (Draeger's Market).	5
Public Schools	0.9 miles (Menlo-Atherton High School).	3
Senior Center	0.4 miles (Little House Senior Center).	3
Doctor	0.4 miles (Stanford Health Care Menlo Medical Clinic).	3
Pharmacy	0.2 (Pharmaca).	2

The zoning for the site—as it pertains to this development—remains somewhat undetermined. Currently, the site is zoned under Menlo Park’s 2012 “El Camino Real Downtown Specific Plan,” which includes significant constraints on density, building height and FAR. However, in the city’s recently adopted housing element (yet to be certified by HCD, notably), the city has proposed an Affordable Housing Overlay which would allow density of up to 100 dwelling units per acre, a height of 60 feet and a FAR of 2.5. Additionally, the housing element proposes that the Affordable Housing Overlay should be paired with the State Density Bonus, further increasing each of these development constraints.

Still, the Affordable Housing Overlay remains only a proposal. The city has decided to adopt its housing element without agreeing upon its rezoning plan. This decision leaves the future zoning of the downtown parking lots uncertain. A realistic development strategy must account for three possibilities:

- 1) *A city-adopted Affordable Housing Overlay that allows for multifamily development at the density required for financial feasibility.*
- 2) *No adopted rezoning, which would require that the selected developer request a site-specific rezoning for this project.*
- 3) *A city-adopted Affordable Housing Overlay which improves upon current zoning restrictions, but does not allow for dense, multifamily affordable housing which can pencil.*

Given the speed with which the city has moved on its affordable housing overlay thus far, the selected developer must be prepared for scenarios 2 and 3, requiring a site-specific rezoning process.

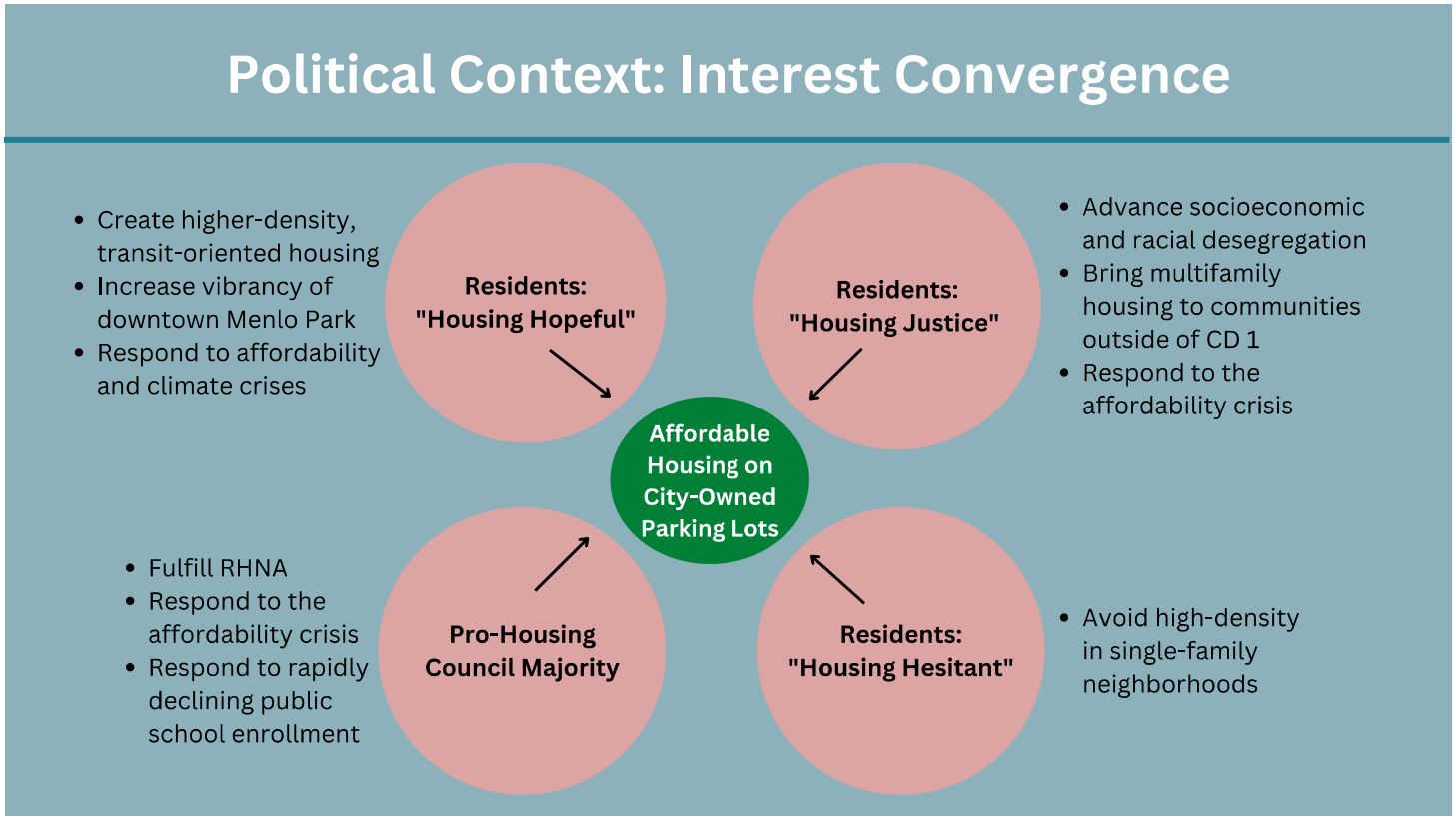
Although far from ideal, a successful site-specific rezoning does seem reasonable given the local political realities in Menlo Park. In the course of our due diligence, our team identified three resident constituencies regarding housing development (see Figure 2, below).

The first group we refer to as “Housing Hopeful.” These are individual residents and organized community groups who are pushing the city to build more housing, particularly affordable housing, as a means to revitalize the city’s downtown, support local businesses and reverse declining school enrollment.

The second group we refer to as “Housing Justice.” These are residents and advocacy organizations pushing for the development of new market-rate and affordable housing in Council Districts 3, 4 and 5—the historically exclusive areas of Menlo Park which have built very little housing in the past decades compared to Council District 1, which has significantly more lower-income residents and residents of color.

The final group we refer to as “Housing Hesitant.” These residents largely live in Council District 5, far and away the most exclusive section of the city with regard to socio-economic status and race. These residents are vocally opposed to affordable development in Council District 5.

Figure 1: Resident consensus on affordable housing downtown.



For very different reasons and with distinct motivations, each of these constituencies has expressed strong support for the development of high-density affordable housing downtown on city-owned land. The “Housing Hopeful” constituency correctly views affordable development on the downtown parking lots as a generational opportunity to reinvigorate the downtown district, particularly after the challenging COVID years shuttered many businesses. The “Housing Justice” constituency has identified this site—which spans Council Districts 3 and 4—as a similarly generational opportunity to build dense housing in an area of the city that is considered “Highest Resource,” which has shouldered very little of the housing burden historically. Lastly, the “Housing Hesitant” constituency has coalesced around high-density, affordable housing downtown as a counterproposal to a currently proposed upzoning of a lot in Council District 5 for a 100% affordable development reserved for teachers.

Whether or not this last group’s support of downtown density is genuine or just temporarily useful as a rhetorical strategy, there is relative consensus across these three groups in support of high-density affordable housing downtown. A 2021 survey of Menlo Park residents, conducted in conjunction with the city’s housing element process, confirms this political reality. Residents were asked to identify up to three new areas where housing could be developed in Menlo Park. 63% of residents selected “In or near downtown and/or CalTrains station,” which had notably higher support than any other choice. The next highest selection was “Existing commercial properties” (42%), followed by “Distributed equally throughout the entire city, (41%).”⁵

⁵Menlo Park Housing Element, January 31, 2023, p. 4-5-44
<https://menlopark.gov/files/sharedassets/public/community-development/documents/projects/housing-element-update/city-of-menlo-park-2023-2031-housing-element.pdf>

This rare convergence of interests and far-reaching resident support provides the Menlo Park City Council with some political security. The Council itself is decidedly pro-housing with regard to affordable development on city-owned land. There is currently a 4-1 majority of Council members who have supported previous affordable housing development, in spite of resident opposition. Two of those Council members met with our team and confirmed their support for this project, while also encouraging us to push the city further on its Affordable Housing Overlay.

This political support indicates that a site-specific upzoning of these parking lots would be politically possible under the current conditions. Even so, an upzoning process would present challenges and delay the overall development timeline.

Similar questions remain regarding SB 35. The city is currently exempt from the state law—a designation that is quite rare—due to its relatively low affordable housing targets in the past RHNA cycle. The statutory “clock” will reset in the coming months and Menlo Park will no longer be exempt from SB 35. When asked whether the city would signal a preference for developers who do or do not use SB 35 CEQA-clearance, city staff and officials declined to answer.

Fortunately, the environmental conditions of the site appear to be relatively favorable. The site does not fall in a FEMA 100-year flood plain or a flood zone and no major creek watersheds are running through the parcels. The selected developer will need to underground an existing powerline and plan for required stormwater drainage on Parking Lot 2, which is designated as a drainage area by San Mateo County.

Taken together, these factors represent significant uncertainties in the development process. However, for the purposes of this proposal, our team has assumed that the city will adopt the Affordable Housing Overlay described in its housing element by January 1, 2024. We have also assumed that the city will release its RFP by that date.

In 2021, the city surveyed residents and asked them to identify up to three new areas where housing should be located in Menlo Park:

63% selected “in or near downtown and the Caltrain station.”

IV. Proposed Program:

Our team has met with city staff, council members and the sitting Mayor to gain a clearer understanding of the city’s needs and goals in developing these parcels. What we heard from city officials aligned with the resident needs we encountered in the housing element—Menlo Park needs a reimagined downtown, improved parking infrastructure and much more affordable housing for large families and seniors. Menlo Crossing will serve these two, specific populations across three phases of development.

In total, our eight-site plan will create 365 units of affordable housing along with 34 market-rate townhomes. In addition to housing, our proposal includes two youth-oriented, ground floor programs co-located inside of our senior affordable housing development: a childcare center and an after-school program, both discussed in further detail in Section IX.

Above all, what distinguishes our vision is that sustainability and resilience are at the core of the design—from the master plan to the individual units. At the individual level, we have designed our units with an emphasis on modularity—not in terms of construction type, but rather in terms of longevity and future use. Our modular grid design allows for unit size to change over time. Although our unit mix will remain fixed over the next 55 years, beyond that time horizon,

the modularity of the units will give growing households the ability to expand into more space within their own building, in an energy-efficient and cost-efficient manner.

At a larger scale, our financing proposal reflects our commitment to sustainable growth—the Affordable Housing and Sustainable Communities (AHSC) loan will be the centerpiece of our gap financing package. The AHSC loan, discussed in further detail in Section X, will enable us to invest in on-site, sustainable infrastructure (energy-efficient building materials and appliances) and make significant investments in off-site sustainable infrastructure (urban green space, pedestrian and bike paths, and a capital investment in our partner transit agencies, SamTrans and CalTrains).

We have successfully paired this emphasis on sustainability—prioritizing active and public transportation—with a pragmatic approach to the city’s existing parking. The eight-city owned parking lots are currently used as 1,207 parking spaces for downtown businesses. Our proposal will create or preserve exactly 1,200 parking spaces across multiple, improved surface lots and two multi-level parking structures. 234 of those spaces will be reserved for our residents and services staff, leaving 966 spaces for public use. In total, this yields an 80% replacement of the city’s existing parking, while providing more than half a space for each new unit of housing.

Some developers may see the city’s parking challenge as a constraint, but we saw it as an opportunity to help Menlo Park take an important step towards sustainable growth—a step that the city can take confidently thanks to the outstanding walkability, bikeability and transit service of these parcels.

Beyond our site, Menlo Crossing will bring hundreds of new residents into Menlo Park’s downtown—residents who will be on foot to shop at the on-site grocery stores, on their bikes to school or work, and on SamTrans or CalTrains commuting to Stanford, San Jose and San Francisco.

Table 2: Proposed program by number of units and parking spaces

P H A S E S					
	PROJECT	UNITS	RENT TYPE	USE	PARKING
1.	TREEHOUSE NORTH	155	AFFORDABLE	LARGE FAMILIES	92
2.	TREEHOUSE SOUTH	145	AFFORDABLE	LARGE FAMILIES	74
		0	PARKING GARAGE	PARKING	298
3A.	PROMENADE SOUTH	32	AFFORDABLE	SENIOR HOUSING+ CHILD CARE CENTER	32
	PROMENADE NORTH	33	AFFORDABLE	SENIOR HOUSING	18
3B.	PROMENADE TOWNHOMES	34	MARKET RATE	NON-TARGETED	34
	PARKING/ FARMERS MARKET	0	SURFACE PARKING	PARKING/ FARMERS MARKET	156
	PARKING GARAGE	0	PARKING GARAGE	PARKING GARAGE	496
		365+34 = 399			966+234 = 1200

V. Development Timeline

Our proposal proceeds from the assumption that the city will release an RFP for all parcels at the start of 2024. In this section, we will provide an overview of our anticipated development timeline for each phase. Included in our appendix is a more thorough development timeline outlining each step of the entitlements, approval, funding awards and construction processes along with their anticipated completion dates.

Based on conversations with city staff and elected officials, along with staff at HCD, we plan to respond to the RFP for all parcels in January of 2024. Phase 1 will produce 155 affordable units by July of 2028. Phase 2 will produce an additional 145 affordable units along with a structured parking garage with 298 stalls by February 2030. Phase 3A will produce 65 units of affordable senior housing, while Phase 3B will produce 34 market-rate townhomes that will cross-subsidize a larger parking garage with 496 stalls, both completed by October 2031.

Phases 1 and 2 are located on the upper parcels, north of Santa Cruz Avenue. We chose to develop these upper parcels in the first phases for two reasons. First, we sought to maximize affordable units on the largest parcels, Lots 1 and 3. Second, it was essential to create a parking garage (on Lot 2) early in our development timeline in order to minimize disruption of the businesses located on the lower sites, which will be developed in Phase 3. By creating a garage in Phase 2, we provide existing business owners with the peace of mind that their customers will have access to parking while their adjacent surface lots are being developed.

Figure 2: Proposed Development in Three Phases

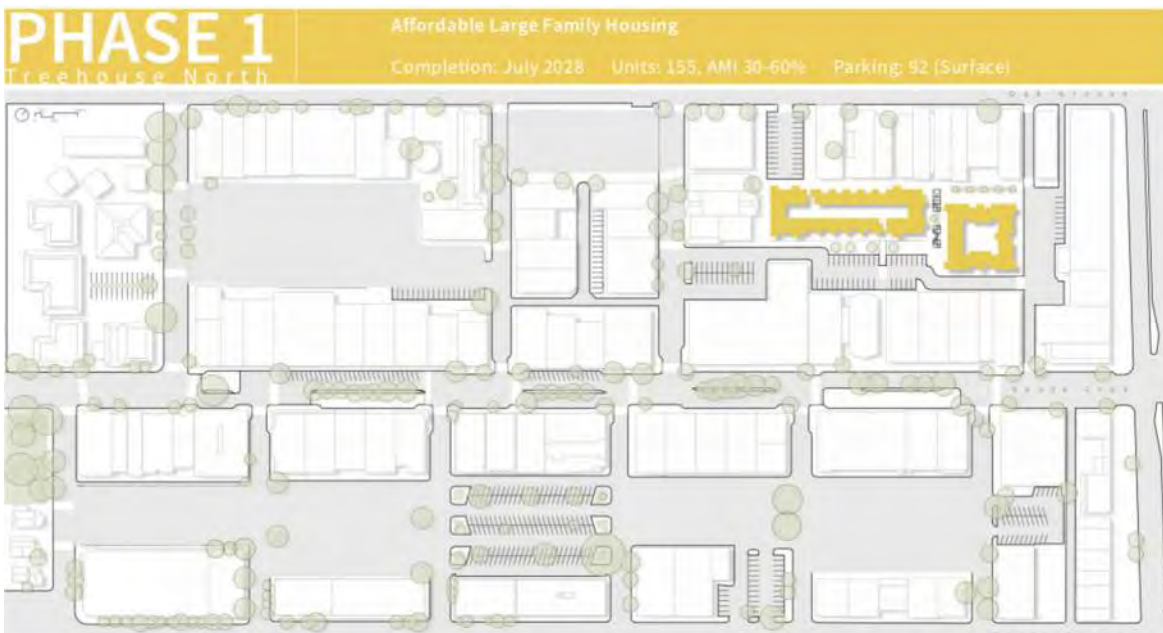


Figure 2: Proposed Development in Three Phases (cont.)



VI. Proposed Optionality

Our financial feasibility analysis indicates that the units and parking summarized in the table above are attainable by 2031. However, we propose and strongly encourage the city to recognize that market conditions and consumer needs will shift over the course of this development timeline.

The first parking garage (Phase 2) will be completed in February of 2030. This garage will charge a daily rate for downtown parking that was previously free. Over the course of 2030, the city should conduct a thorough study of the parking demand in downtown Menlo Park. It is very possible that paid parking will significantly lower demand, in which case, we propose alternative paths for Phase 3B.

Rather than construct an additional parking garage on Lot 8—as we have currently proposed—the city can pursue additional affordable rental housing or community green space on that lot. Both would further expand foot traffic for local businesses on the Promenade.

Meanwhile, without the need to cross-subsidize a second parking garage, the city should reconsider a fully market-rate development on Lot 5. Instead, the city can pursue a mixed-income townhome development which reserves a significant percentage of homes as below-market rate using its existing BMR program. This option allows the city to create a greater diversity of housing types and a pathway to affordable homeownership—a glaring need outlined in the city's housing element.⁶

⁶ *The city can also pursue a more innovative strategy for Lot 5: a missing middle affordable housing development through a Joint Powers Authority (JPA). Creating missing middle housing through JPAs is a relatively new affordable development tool, so we recognize that this strategy may present distinct challenges for Menlo Park. Nonetheless, the city has a dynamic JPA partner right in its backyard—the Housing Endowment and Regional Trust of San Mateo County (HEART).*

The HEART trust is already a funding source for the first two phases of this development, providing a soft loan matched by HCD through its Local Housing Trust Fund program (LHTF). HEART has already begun to pursue JPA-sponsored missing middle housing through its Middle-Income Housing Bond Program. So far, HEART has pursued missing-middle housing through acquisition, but HEART has indicated that it is interested in pursuing new construction through this program as well. In collaboration with HEART, the city can create housing for a population that is rarely served by affordable development—households making between 80% and 120% AMI.

Figure 3.1: Proposed Master Plan

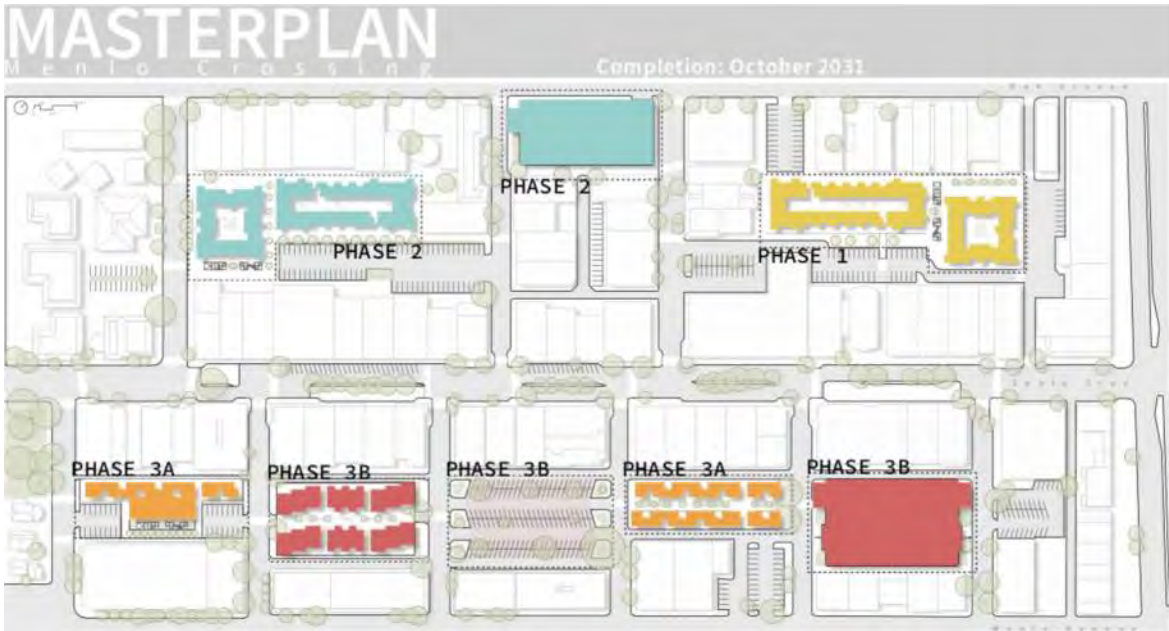


Figure 3.2: Proposed Optionality



VII. Design Philosophy:

The aim of our intervention is not only to increase affordable housing in downtown Menlo Park, but to activate the city center as well. As such, our project targets all eight of the downtown parcels, utilizing nearly nine acres of land.

The first two phases of development consist of two affordable housing projects north of Santa Cruz Avenue, both designated for large families. Additionally, a large parking structure will be added on Parking Lot 2. The third phase of development will create two affordable senior

housing complexes on the southside of Santa Cruz Avenue, on what we call “Menlo Promenade.”

All of the housing within this proposal will follow a 12x12 modular grid filled in by interior or exterior panels. Modularity increases building efficiency and in terms of design provides flexibility within the units. Our units are interlocking, while designated walls for plumbing and amenities can be stacked and shared vertically to maintain consistency. The main materials we are using for this project are mass timber for the modular grid, prefabricated panels (both interior and exterior), retractable and fixed screens, and glazing for the perimeter. We envision ample greenery growing on the screens, perhaps helping to shade the building and soften the amount of visible glazing. The project should feel bright and welcoming—our hope is to invoke the dream of every kid to own a treehouse.

Our current designs are limited to the first phase of Menlo Crossing, the first large family building called “Treehouse North.” From a design perspective, we approached this project with the goal to provide green and bright units for all one-, two-, and three-bedroom options. The name “Treehouse” invokes feelings of play, lightness, airiness, curiosity, and nature. The design seeks to highlight the importance of outdoor spaces for both the individuals living within the complex and for the community at large. Circulation, balconies, roof terraces, and playgrounds are all located outdoors.

The indoor community spaces are but minimal, but essential including a multi-purpose room, a computer room, laundry, lobby and lounge. It was important to us that we also make these indoor spaces feel spacious and connected to the outdoors, which is achieved through ceiling cuts, double height openings and complete openings to above. The second phase of development, “Treehouse South,” mirrors this design.

The third phase of affordable development—Phase 3A—is in an earlier stage of the design process. It will consist of two affordable, senior projects on Parking Lots 4 and 7. For these projects, which will be part of the development of the larger “Menlo Promenade,” we consider ideas like proximity, accessibility and scale. The Promenade is meant to be seen as a walkable strip between the downtown’s essential services, with housing framing this already existing condition. The proposed senior units will be largely one bedrooms, while the buildings themselves will be only three and four stories tall to respect the scale of the site. They will follow a similar design philosophy as that of the Treehouse projects, but adjusted for height and accessibility concerns.

The final development phase on the Promenade—Phase 3B—is Parking Lot 5. On this lot, we propose 34 market-rate, for-sale townhomes. The townhomes will be largely three stories (with a homebuyer option to add a fourth-floor loft) with two and three bedrooms, along with a one-car garage on the ground floor. This market-rate phase helps meet a growing demand for homeownership in Menlo Park, while cross-subsidizing our downtown improvements.

Of the five parcels along the Menlo Promenade, we are only proposing significant development on four of them. In our meeting with the city staff and elected officials, they shared that Parking Lot 6 hosts a successful, weekly Farmer’s Market. Early in our design process, we determined that we should improve, rather than eliminate this space that is already successfully serving the Menlo Park community.

Our team visited the Farmer’s Market and met with vendors and organizers in order to determine what improvements they felt were most urgently needed. We heard repeatedly that they needed permanent, shaded stalls, particularly during the summer and fall months. Our proposal will create 75 solar carports on the lot that will serve as parking stalls during the week and permanent vendor stalls during the weekend market, all while generating clean, renewable energy.

VIII. Urban Design Concept:

Our team recognized that in order to fulfill our vision of a multi-generational community, we had to create real ties between our large family housing and senior housing. The city's existing goals to improve pedestrian and bike infrastructure downtown and our AHSC STI grant empowered us to design that connectivity.

We designed 3.6 miles of Class II and Class III bike lanes along with 2.4 miles of expanded pedestrian paths, aligning with the city's vision for a human-scale streetscape as outlined in its 2012 downtown specific plan. These interventions calm traffic and allow our residents to move easily across different parts of downtown.

Most importantly, we made a programmatic design decision that brings young families into our senior resident spaces. We co-located a 7,776 square foot childcare center on the ground floor of one of our two senior affordable housing developments. Inside of the second senior housing development, we have designed an after-school program space and community kitchen, which will be used for joint programming with students and seniors.

These physical and programmatic interventions give our residents safe pathways and natural purposes to cross the physical and social barriers that tend to isolate seniors from young people. This urban design concept ultimately led to our name: Menlo Crossing. It is an homage not only to the CalTrains rail station that makes this site so dynamic, but to the movement—the act of crossing—that community members will experience in their daily lives.

IX. Youth and Resident Programs:

We are excited to partner with Abode Services to provide resident services across all four of our affordable developments. In Treehouse North, we aim to serve 32 Section 8 tenants, 16 of whom are formerly homeless individuals. Likewise, in Treehouse South, we intend to serve 29 Section 8 tenants, 15 of whom are formerly homeless individuals. In each development, our operating expenses account for one FTE case manager to work with our Section 8 tenants along with a 0.5 FTE resident services coordinator who will plan community events and lead adult education classes.

Our childcare center is located on the ground floor of Promenade South and has a total of 7,776 square feet, including indoor classroom space and outdoor play space. The childcare center will be operated by Izzi (formerly known as IHSD), the Headstart provider for the Peninsula. Izzi will operate their childcare program in the space rent-free, but will be responsible for any maintenance and improvement costs. Based on conversations with Angie Garling and Lily Berticevich of the Low-Income Investment Fund (LIFF), we project that this space can serve 60-70 children from birth to five-years-old.

The most significant challenge facing the childcare component of our program is our development timeline. By July of 2028, we project the completion of our first phase, producing a total of 155 affordable homes, 86 of which will be large family units. In February of 2030, we expect to complete our second phase, producing an additional 145 affordable homes, 95 of which will be large family units. However, our third phase—including our childcare center—will not be completed until October of 2031. This leaves a period of 39 months before our center is completed, during which time our large family residents will need access to childcare.

In further discussions with Angie Garling and Lily Berticevich, we determined three possibilities to address this gap. The first is that our large family residents with children from birth to five-years-old can enroll their students in Izzi's existing Menlo Park Headstart program. The existing center is located 2 miles away from our site, roughly a five-minute drive or a nine-minute bus ride via SamTrans' 296 bus with service from the CalTrains station directly to the center on Middlefield Road.

However, the existing Izzi program likely cannot meet the full demand for childcare that our new, large family residents represent. In conjunction with enrollment at the existing Izzi facility,

our program can pursue family childcare located on site at Treehouse North and Treehouse South. We have multiple ground floor, three-bedroom units in both developments which could serve up to eight children in each space, according to a consultation with our partners at LIFF. The family childcare model, operated out of individual units, has proven to be successful in several affordable developments; but the model is inherently limited and may be vulnerable to unpredictable factors such as the availability of interested tenant-providers.

Ultimately, our team determined that our large family residents would benefit most from a singular, more stable plan to address the gap in available childcare. Thus, our partners at LIFF encouraged us to pursue a temporary, “portable” childcare facility on one of the existing parking lots. Portable childcare is becoming increasingly common, particularly in the Bay Area where the demand for childcare has far outpaced the available, brick-and-mortar facilities. The start-up costs for acquiring and establishing the portable facilities can be financed through a loan from the Low-Income Investment Fund (LIFF) or through a grant from the Silicon Valley Community Foundation (SVCF). The Expanding Pathways grant through SVCF recently released an RFP seeking to fund childcare facilities specifically in San Mateo County. Based on an initial assessment of the grant criteria, our proposed childcare program would be highly competitive for this funding.

The portable childcare center will most likely be located on Parking Lot 6—the existing site of the weekend Farmer’s Market. Lot 6 is the only site on which we propose no significant development, beyond the installation of solar carports. We hope to work with city partners and the organizers of the market to locate the portable facility in a section of the site that is minimally disruptive to the weekend market and continues to allow for the maximum number of parking spaces during the week. Once the ground floor childcare facility in Promenade South is completed in October of 2031, the portable facility will close and the childcare center will continue to operate in the brand new 7,776 square foot facility.

In the second senior affordable development, Promenade North, we have designed an after-school program along with a community kitchen on the ground floor totaling 1,872 square feet. There is an additional 1,728 square feet of adjacent outdoor space for a combined total of 3,600 square feet.

We will partner with the Menlo Children’s Center, the city’s existing after-school program, to operate the new after-school facility. Menlo Children’s Center currently operates at the city’s central civic complex, located 0.5 miles away from Promenade North. Menlo Children’s Center, like Izzi, will operate the space rent-free, but will be responsible for maintenance and improvement costs. We will be effectively financing the construction of a new after-school space that will be donated to the city for use in perpetuity. Based on conversations with city staff, this space will be a tremendous benefit to the city, given that its existing after-school program currently has limited spots.

Our hope is that the community kitchen can host joint programming for senior residents and school-age students that brings these two populations together intentionally. We envision partnering with the Menlo Park Senior Center, the city’s existing senior recreational center, or our services partner Abode to operate programming for seniors in the space. Based on initial conversations, organizers of the Farmer’s Market were excited by the possibility of collaborating on food-based programming in the community kitchen space as well.

X. Financing Structure:

Our team has created a detailed financing proposal for the first two phases of development, Treehouse North and Treehouse South. We have also created a land residual analysis for the

market-rate development phase, the Promenade Townhomes, along with two pencil-out proformas for our affordable senior developments, Promenade North and Promenade South. Taken together, our total development cost across all three phases is summarized in the table below.

Table 3: Total Development Cost and Funding Sources

FINANCING STRUCTURE				
	PROJECT	TDC	REVENUE	FUNDING SOURCE
1.	TREEHOUSE NORTH	\$138M	\$2.2M	<ul style="list-style-type: none"> • 4% Tax-Exempt Bonds • AHSC, San Mateo County AHT, • HEART LHTF, Menlo Park BMR Loan, Section 8 Mortgage
2.	TREEHOUSE SOUTH	\$130M	\$2.2M	<ul style="list-style-type: none"> • 4% Tax-Exempt Bonds • MHP, San Mateo County AHT, • HEART LHTF, Menlo Park BMR Loan, Section 8 Mortgage
		\$9M	\$708K	
3A.	PROMENADE SOUTH	\$18M	\$297K	<ul style="list-style-type: none"> • 9% LIHTC • Section 8 Mortgage
	PROMENADE NORTH	\$19M	\$291K	
3B.	PROMENADE TOWNHOMES	\$21M	\$16M	<ul style="list-style-type: none"> • Conventional Debt & Equity • Cross-Subsidized: Sale of Market Rate Townhomes • Peninsula Clean Energy EV Funds • Solar Tax Credits
	PARKING/FARMERS MARKET	\$1M	Vendor Stall Fee	
	PARKING GARAGE	\$15M	\$1.2M	
		351M		

Phase 1: Treehouse North

- Construction Completion: July 2028
- Target Population: Large Family
- Cost: \$138.6 million
- Units: 155
- Parking: 125 (surface)
- Funding Sources: 4% LIHTC Credits & Tax-Exempt Bonds, AHSC, San Mateo County Affordable Housing Trust, HEART LHTF Loan, Menlo Park BMR Loan, Conventional Debt
- Contingency Sources: MHP (if unsuccessful with AHSC), AHP, Catalyst Housing Fund, Community Housing Fund, Bay's Future Fund

Rent & Unit Mix: Treehouse North

	30%	50%	60%	Total
One-Bed	15	37	15	67
Two-Bed	15	12	20	47*
Three-Bed	10	10	20	40
% of Total	26.0%	38.3%	35.7%	153*

*Excluding two manager units

The unit mix is largely a product of our commitment to providing affordable housing for large families; as such, well over 50% of our units serve large families. Similarly, we aimed to target relatively deep levels of affordability, resulting in an average AMI of 48.38%.

Phase 2: Treehouse South

- Construction Completion: February 2030
- Target Population: Large Family
- Cost: \$130.8 million
- Units: 145
- Parking: 74 (surface), 298 (structured)
- Funding Sources: 4% LIHTC Credits & Tax-Exempt Bonds, MHP, San Mateo County Affordable Housing Trust, HEART LHTF Loan, Menlo Park BMR Loan, Conventional Debt
- Contingency Sources: AHSC (if unsuccessful with MHP), AHP, Catalyst Housing Fund, Community Housing Fund, Bay's Future Fund

Rent & Unit Mix: Treehouse South

	30%	50%	60%	Total
One-Bed	10	31	7	48
Two-Bed	12	16	25	53*
Three-Bed	7	11	24	42
% of Total	20.3%	39.6%	39.2%	143*

*Excluding two manager units

Our team chose to mirror a similar unit mix for Treehouse South and Treehouse North, once again prioritizing large family units. Well over half of our units serve large family households and the average AMI for the total project is 49.86%.

Phase 2: Parking Garage

- Parking Garage: 298 stalls, 36 EV charging stations
- Project Cost: \$9.6 million
- Parking Rate: \$3/hour, \$8/day, \$100/month
- Annual NOI from garage: \$708K
- Loan Size: \$6.3 million
- Solar Carports at Farmer's Market: 75
- Funding Sources: Conventional Debt (leveraging parking revenue), Peninsula Clean Energy EV Ready funds

Phase 3a: Promenade North

- Construction Completion: October 2031
- Target Population: Seniors
- Cost: \$19.3 million
- Units: 33 one-bedrooms serving 50% AMI (average)
- Retail: After-school program & community kitchen (3,600 sq. feet)
- Parking: 18 (surface)
- Funding Sources: 9% LIHTC Equity, Conventional Debt, Section 8 Mortgage

Phase 3a: Promenade South

- Construction Completion: October 2031
 - Target Population: Seniors
 - Cost: \$18.8 million
 - Units: 32 one-bedrooms serving 50% AMI (average)
 - Retail: Childcare center (7,776 sq ft.)
 - Parking: 32 (surface)
 - Funding Sources: 9% LIHTC Equity, Section 8 Mortgage, Conventional Debt
-

Phase 3b: For-Sale Townhomes

- Construction Completion: October 2031
- Project Cost: \$ 21.2 million
- Average Sale Price per Townhome: \$1.1 million
- Residual Value: \$ 16.1 million
- Units: 34 Townhomes
- Parking: 34 one-car garages on ground floor (one per townhome)
- Funding Sources: Conventional Debt, Equity

Phase 3b: Parking Garage & Farmers Market

- Parking Garage: 496 stalls, 36 EV charging stations
 - Project Cost: \$15 million
 - Annual NOI from garage: \$1.2 million
 - Solar Carports at Farmer's Market: 75
 - Project Cost: \$1.12 million
 - Funding Sources: Cross-subsidized through residual value from market-rate townhomes, Conventional Debt (leveraging parking revenue), Peninsula Clean Energy EV Ready funds
-

Comparison Developments:

In building our proformas, our team examined four recent, 100% affordable developments in Menlo Park and nearby jurisdictions. All four were developed by MidPen, which has the strongest record of affordable development in the area and very strong, working relationships with the City of Menlo Park and San Mateo County.

Kiku Crossing

- Year Completed: 2024
- Location: San Mateo
- Project Type: Large Family
- Units: 225
- Parking: 164

Kiku Crossing is a very useful comparison for our site as it is located within 0.5 miles of the San Mateo CalTrains station and is similarly served by numerous downtown amenities. The development was a 4% project which drew upon multiple county and city sources, including a HEART LHTF Loan, a sizable amount of Section 8 vouchers (80) and a CalHFA MIP Loan.

Gateway Rising

- Year Completed: 2023
- Location: Menlo Park
- Project Type: Large Family
- Units 140:
- Parking: 177

Gateway Rising is a Menlo Park project closer in size to our proposal. Notably, the project filled almost its entire financing gap with loans from the San Mateo County Affordable Housing Fund and the Menlo Park Below Market Rate loan program. The City of Menlo Park had initially provided \$3.43 million to the project; but when the project was not selected for AHSC, the city stepped in with an additional \$6.7 million, indicating a very clear

commitment on the part of the city to make the project pencil. Gateway Rising received only \$3.5 million in state funding sources. However, this financing structure was possible largely due to the very high number of Section 8 vouchers the project received—81 vouchers serving 58% of the total units in the development.

Arroyo Green

- Year Completed: 2021
- Location: Menlo Park
- Project Type: Senior
- Units: 117
- Parking: 83

Both Arroyo Green and Sequoia Belle Haven served as initial comparison sites for our two senior projects on the Menlo Promenade (Phase 3A of our master plan). These projects are larger than the senior developments we are proposing, but were useful comparisons in establishing assumptions for our pencil-out proformas.

Sequoia Belle Haven

- Year Completed: 2017
- Location: Menlo Park
- Project Type: Senior
- Units: 90
- Parking: 78

As we calculated our funding sources, development budget and operating expenses for Treehouse North and Treehouse South (discussed below), we used a weighted average of sources and costs from Kiku Crossing and Gateway Rising along with a 7.7% inflation factor to account for cost escalations after these development budgets were produced.

Proposed Funding Sources: Treehouse North

Tax-Credit Equity: \$60.1 million

Given the size of our project and the total development cost, we will pursue 4% tax credits allocated by CDLAC. Of course, CDLAC is significantly over-subscribed and will very likely continue to be over-subscribed in the year in which this project applies for credits. Fortunately, the project will be very competitive in the CDLAC allocation process. Based on our scoring assessment using the CDLAC application (see completed assessment in Appendix), our project achieves maximum points. Given our designation as a large family project along with our ability to leverage city, county and state money (discussed below), we believe this project will be very competitive in the tiebreaker process as well.

HCD Sources (AHSC): \$35 million

As discussed in our vision and proposed program, AHSC will be the primary source we use to finance our gap. We recognize the competitiveness and the complexity of this source, which is why we worked with Sally Greenberg of Enterprise Community Partners to shape our AHSC application. We emerged with a highly competitive vision for the three non-housing elements of the grant: Sustainable Transportation Investment (STI), Transit Related Amenities (TRA) and Program (see attached AHSC application in Appendix).

Our proposal creates 3.6 miles of Class II and III bike lanes and 2.4 miles of expanded pedestrian paths. We designed our STI application using two recent AHSC Round 6 awardees in San Mateo County—Middlefield Junction (Redwood City) and 965 Weeks Street (Palo Alto). Our proposal will create more linear feet of bike lanes and expanded pedestrian paths than both of those comparison projects.

We are also fortunate to be able to work with two transit agencies—SamTrans and CalTrains—that have been eager and nimble AHSC partners in previous rounds. As part of CalTrains' ongoing electrification process, the agency is attempting to procure a set of 37 Electric Multiple Unit (EMU) trains. These EMUS will run between 4th & King Station in San Francisco and Tamien Station in San Jose beginning in 2024. The new trains will drive ridership by increasing service frequency and improving the system's carrying capacity. If our AHSC application is successful, Menlo Crossing will use its STI grant to purchase three EMUs for CalTrains.

In addition to our capital investment in CalTrains, we will support SamTrans in its implementation of an express route between East Palo Alto and San Bruno, serving multiple points in between including Menlo Park, Redwood City, Redwood Shores, and SFO via US 101. This improvement will support 30-minute peak-hour frequency through the procurement of one, new battery-electric bus vehicle.

The housing-related elements of our grant application are accounted for in our main pro forma for Treehouse North. We have conducted an initial self-scoring assessment for AHSC (see assessment in Appendix). Based solely on the housing portion of our project (not accounting for our capital investments in public and/or active transportation), our project has a GHG emissions reduction factor of 0.000356, which is within the range of recently awarded projects.

San Mateo County Sources: \$10.4 million

- San Mateo County Affordable Housing Trust (\$8.3 million)
- Housing Endowment and Regional Trust (HEART): Local Housing Trust Fund (LHTF) Loan (\$2.1 million)

Based on Kiku Crossing and Gateway Rising—both very recent, 100% affordable, large family projects in San Mateo County—we are proposing two loans from San Mateo County sources. The first is the Affordable Housing Fund (AHF), which provided Kiku Crossing with a

\$5.1 million loan and Gateway Rising with a \$14.6 million loan. The most recent NOFA—released in August of 2022—contained \$27.5 million for affordable housing development in San Mateo County. Based on the scoring rubric provided in the NOFA, we believe Treehouse North will be very competitive for AHF funding.

At this preliminary phase, we are also proposing a Local Housing Trust Fund (LHTF) loan from the Housing Endowment and Regional Trust (HEART) of San Mateo County. This source may be better classified as a state source, given that it is awarded by the Department of Housing and Community Development. However, our comparison site proformas listed it as a county source and we have chosen to do the same.

In developing Kiku Crossing, MidPen worked with HEART to apply for an LHTF loan from HCD. The program is very competitive, but HEART was awarded \$3.8 million in funding, which it provided to Kiku Crossing as an additional piece of gap financing. We were encouraged by this recent award and consider it to be a creative way to limit the amount of money we request from the county's Affordable Housing Fund. However, we understand that it may not be available to us and are prepared to ask for an additional \$2 million from the county's AHF if necessary.

City of Menlo Park Source: \$1.85 million

- Below Market-Rate (BMR) Loan Program: Predevelopment Loan

We calculated our loan from the city using Gateway Rising, a large family project in Menlo Park which is slightly smaller than Treehouse North. Gateway Rising received an initial loan of \$3.42 million from the City of Menlo Park's Below Market Rate (BMR) loan program. As discussed previously, the city stepped in and provided an additional \$6.7 million loan after Gateway Rising had not been awarded AHSC funding. Given the similar size and project type of Treehouse North, we have determined that \$3.35 million is a reasonable assumption. Our meeting with city staff and elected officials indicates the city is very serious about making this project work and is willing to step in with gap financing if it is required.

Section 8 Project-Based Vouchers (San Mateo County Housing Authority): 32 vouchers

- Section 8 Permanent Loan: \$9.1 million

In December of 2022, the San Mateo County Housing Authority released an RFP for 200 Project-Based Vouchers (PBVs) along with 35 HUD-VASH vouchers. Based on the scoring rubric provided in the RFP, we believe our project will be very competitive for 32 PBVs.

In order to qualify for these vouchers, 5% our total units (at least 8 units), must serve special needs residents. We have decided as a development team to use this requirement as an opportunity to serve a small population of formerly homeless residents. 16 of our units (10% of our total) will be a set-aside for formerly homeless individuals.

We are excited to partner with Abode Services to provide one FTE case manager to work with our Section 8 tenants along with a 0.5 FTE resident services coordinator who will plan community events and lead adult education classes.

Hard Debt:

- Construction Loan: \$70.9 million
- Taxable Tail: \$43.1 million
- Permanent Loan: \$16.3 million
- Permanent Loan (Section 8): \$9.1 million

Based on class discussion and market research, we have assumed an interest rate of 6.7% (SOFR 4.55% + 2.15%) for our construction loan and an interest rate of 6.77% for our permanent loan. The origination fee for the construction loan is \$709,223 (or 1%) and \$81,940 for the permanent loan (or 0.5%). Both the permanent loan and the Section 8 mortgage are based on a DSCR of 1.15. The permanent loan has an LTV of 80%, which we assumed from conversations with our teaching team and market research. Based on our NOI, this project will have strong cash flow through a 15-year time horizon and beyond, allowing us to account for all of our operating expenses and must-pay debt service.

Proposed Funding Sources: Treehouse South

Tax-Credit Equity: \$57.8 million

Similar to Treehouse North, the size of Treehouse South and its total development cost required that we pursue 4% tax credits allocated by CDLAC. Based on our scoring assessment using the CDLAC application (see completed assessment in Appendix), our project achieves maximum points. Once again, given our designation as a large family project along with our ability to leverage city, county and state money (discussed below), we believe this project will be very competitive in the tiebreaker process as well.

HCD Sources (MHP): \$35 million

Over the course of our conversation with Sally Greenberg of Enterprise Community Partners, we determined that Treehouse South would likely not be competitive for AHSC assuming that Treehouse North had already been awarded funding through the program. Although there are some exceptions, typically, there are not enough sustainability and GHG-reducing interventions for a housing development to take advantage of in order to justify receiving funding in two rounds for the same master plan.

Fortunately, Treehouse South is highly competitive for MHP (see scoring assessment in Appendix). Our competitiveness for both programs also provides us with useful contingencies. If Treehouse North is not awarded AHSC, we plan to pivot to MHP for Phase 1. In that scenario, our team would go back to the drawing board with Enterprise and our transit agency partners to craft a strengthened AHSC application for Treehouse South.

San Mateo County Sources: \$7.9 million

- San Mateo County Affordable Housing Trust (\$5.8 million)
- Housing Endowment and Regional Trust (HEART): Local Housing Trust Fund (LHTF) Loan (\$2 million)

Once again, drawing on Kiku Crossing and Gateway Rising—both very recent, 100% affordable, large family projects in San Mateo County—we are proposing two loans from San Mateo County sources. These loans are slightly smaller than those requested for Treehouse North given the smaller size of the project and the lower, overall total development cost.

City of Menlo Park Source: \$1.35 million

- Below Market-Rate (BMR) Loan Program: Predevelopment Loan

For Treehouse South, we will request a slightly smaller pre-development loan from the City of Menlo Park's BMR loan program, accounting for lower, overall pre-development costs. We hope to have completed all entitlements and approvals for the master plan during Phase 1, in which case the development team can consider requesting a BMR loan for permanent gap financing rather than for predevelopment costs.

Section 8 Project-Based Vouchers (San Mateo County Housing Authority): 29 vouchers

- Section 8 Permanent Loan: \$7.5 million

As discussed above, in December of 2022, the San Mateo County Housing Authority released an RFP for 200 Project-Based Vouchers (PBVs) along with 35 HUD-VASH vouchers. Based on the scoring rubric provided in the RFP, we believe Treehouse South will be very competitive for 29 PBVs.

Again, in order to qualify for these vouchers, 5% our total units (at least 8 units), must serve special needs residents. We have decided as a development team to use this requirement as an opportunity to serve a small population of formerly homeless residents. 15 of our units (10% of our total) will be a set-aside for formerly homeless individuals.

We are excited to partner with Abode Services to provide one FTE case manager to work with our Section 8 tenants along with a 0.5 FTE resident services coordinator who will plan community events and lead adult education classes.

Hard Debt:

- Construction Loan: \$66.9 million
- Taxable Tail: \$43.3 million
- Permanent Loan: \$17.1 million
- Permanent Loan (Section 8): \$7.5 million

Based on class discussion and market research, we have assumed an interest rate of 6.7% (SOFR 4.55% + 2.15%) for our construction loan and an interest rate of 6.77% for our permanent loan. The origination fee for the construction loan is \$669,229 (or 1%) and \$85,912 for the permanent loan (or 0.5%). Both the permanent loan and the Section 8 mortgage are based on a DSCR of 1.15. The permanent loan has an LTV of 80%, which we assumed from conversations with our teaching team and market research. Based on our NOI, this project will have strong cash flow through a 15-year time horizon and beyond, allowing us to account for all of our operating expenses and must-pay debt service.

XI. Conclusion

ARCC Housing set out to answer a challenging call from the City of Menlo Park. First, we were tasked with creating 345 affordable units. Our proposal creates 365 affordable homes along with 34 additional townhomes. Second, we were tasked with replacing 1,207 parking spaces. Our team created 1,200 spaces, replacing 80% of the city's public parking while providing half a space per new unit of housing. Finally, we were tasked with reimagining the city's downtown to invigorate businesses struggling in the aftermath of the pandemic. Our master plan will bring hundreds of new residents and visitors outside onto a pedestrian promenade running through the heart of the downtown business district.

Having assessed the political realities thoroughly, we also understood that this was a once-in-a-generation redevelopment opportunity for Menlo Park. As such, we capitalized upon the scale of this site to serve two populations desperately in need of more affordable housing—large families and seniors. Our programmatic design weaves together these two communities, that are often served in isolation by traditional affordable development.

In conjunction with our effort to connect our residents across eight sites, we also designed a plan for a healthier and more sustainable future—providing clean energy infrastructure and moving residents towards active and public transportation.

Crucially, we provided the city with optionality—giving them the flexibility to respond to shifting market conditions and changing community needs. We recognize that in the current moment, the city needs significant public parking downtown. However, by the end of the decade, the city may find that their residents need more housing rather than more parking. Our plan gives the city a built-in opportunity to re-assess and pivot in 2030.

Above all, this proposal achieves our original vision: an affordable, diverse and multi-generational development where growing families can make Menlo Park their long-term home and senior citizens can age in a safe, walkable and inter-connected community. We are excited to partner with the city to make that vision—Menlo Crossing---a reality.

XII. Appendix

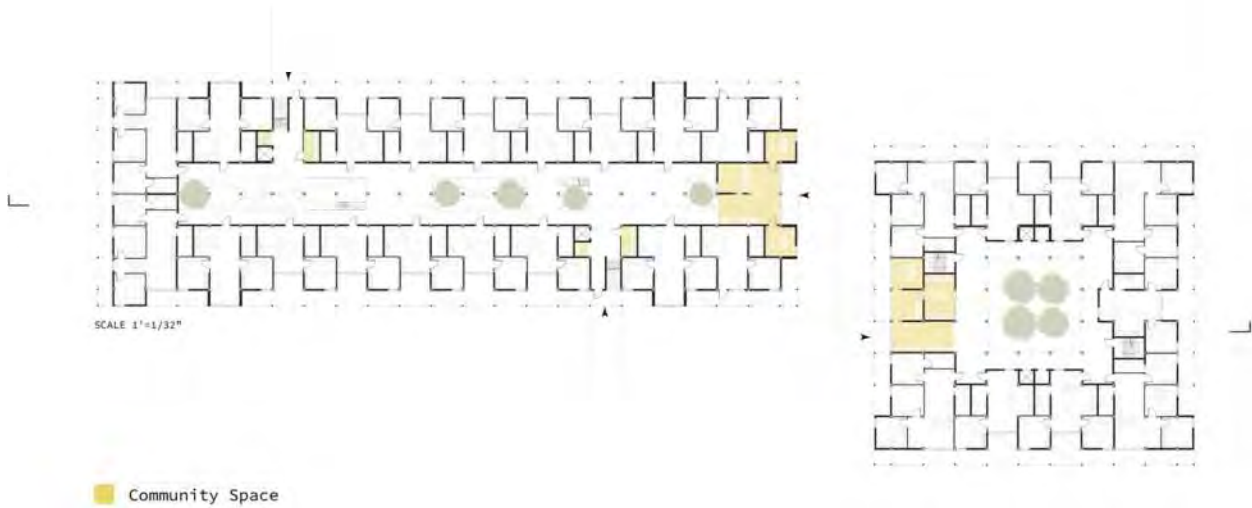
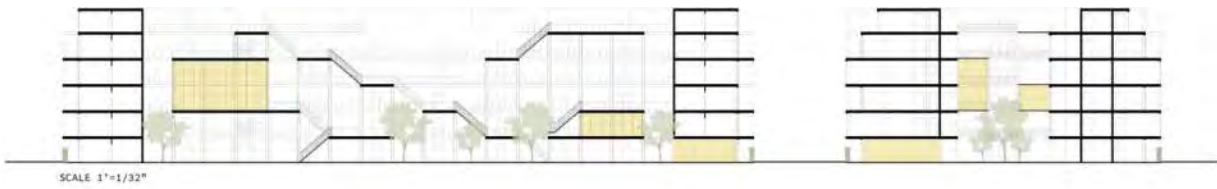
Appendix 1: Interior Staircase (Treehouse North)



Appendix 2: Unit Catalog (Treehouse North)



Appendix 3: Community Spaces (Treehouse North)



Appendix 4: Outdoor Play Area (Treehouse North)



Appendix 5: Master Site Plan



Appendix 6: Master Site Plan with Phases

